

PROGRAM VI: DEBT SERVICE

Summary of Appropriations and Revenues

Agency	Agency Name	FY 2005-2006 Appropriations	FY 2005-2006 Revenue	FY 2005-2006 Net County Cost
016	Recovery COP Lease Financing	70,086,109	70,086,109	0
019	Capital Acquisition Financing	7,240,396	6,061,392	1,179,004
	GENERAL FUND SUBTOTAL	77,326,505	76,147,501	1,179,004
14V	Debt Prepayment	116,180,836	116,180,836	0
15J	Pension Obligation Bonds Debt Service	25,478,560	25,478,560	0
15P	Refunding Recovery Bonds	60,977,134	60,977,134	0
15Q	Pension Obligation Bond Amortization	22,200,000	22,200,000	0
15W	1996 Recovery Certificates of Participation (A)	3,193,528	3,193,528	0
599	O. C. Special Financing Authority Debt Service	82,390,125	82,390,125	0
9C0	Debt Service	219,464,161	219,464,161	0
	OTHER FUNDS SUBTOTAL	529,884,344	529,884,344	0
	TOTAL - DEBT SERVICE	607,210,849	606,031,845	1,179,004

016 - RECOVERY COP LEASE FINANCING

Operational Summary

Description:

Make timely debt service payments on the 1996 Recovery Certificates of Participation (COPs) Series "A."

The 1996 Recovery COPs were sold in June 1996 to raise funds to pay the County's creditors. The issue amount was \$760,800,000, current outstanding principal (as of July 1, 2004) is \$580,825,000.

Debt service is paid from revenues diverted annually by State Statute for this purpose. The diverted revenues include the transportation portion of the Bradley Burns sales tax (\$38 million), Flood Control Property Tax (\$4 million), Harbors, Beaches and Parks Property Tax (\$4 million), and Redevelopment Agency Property Tax (\$4 million). Additionally this fund receives revenue from imported trash (see Fund 285) deposited in the County landfills. The 1996 Recovery COPs will be paid off in July 2026.

Any funds not needed to pay debt service are transferred from this agency to Fund 14A, Option "B" Pool Participants and Fund 15Z, Plan of Adjustment Available Cash.

At a Glance:

Total FY 2004-2005 Projected Expend + Encumb:	69,535,015
Total Recommended FY 2005-2006	70,086,109
Percent of County General Fund:	2.69%
Total Employees:	0.00

Strategic Goals:

- Make timely debt service payments on the outstanding 1996 Recovery Certificates of Participation.

Budget Summary

Plan for Support of the County's Strategic Priorities:

Make timely debt service payments on the 1996 Recovery Certificates of Participation and transfer surplus funds to the Plan of Adjustment Available Cash Fund 15Z.

Proposed Budget History:

Sources and Uses	FY 2003-2004	FY 2004-2005	FY 2004-2005	FY 2005-2006	Change from FY 2004-2005	
	Actual	Budget As of 3/31/05	Projected ⁽¹⁾ At 6/30/05	Recommended	Projected Amount	Percent
Total Revenues	67,844,355	65,979,848	69,535,015	70,086,109	551,094	0.79
Total Requirements	67,844,355	65,979,848	69,535,015	70,086,109	551,094	0.79
Net County Cost	0	0	0	0	0	0.00

(1) Requirements include prior year encumbrance and expenditures. Therefore, the above totals may not match FY 2004-05 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Recovery COP Lease Financing in the Appendix on page page 477

019 - CAPITAL ACQUISITION FINANCING

Operational Summary

Description:

To make timely debt service payments on the 2002 Juvenile Justice Center (JJC) Refunding Bonds, the 2001 Telecommunications Equipment Project Lease Revenue Bonds, and to make trustee payments for other refunded bonds.

The 1992 JJC COPs were sold to refund a 1989 COP, the proceeds of which were used to construct the Betty Lou Lamoreaux Juvenile Justice Center, Juvenile Hall Administration Facility, Juvenile Intake Facility, and parking structures. Debt service on the 1992 COPs is about 85% revenue offset from court construction revenue, the remainder is Net County Cost.

Strategic Goals:

- Make timely debt service payments on 1992 Refunding Juvenile Justice Center Certificates of Participation and 2001 Telecommunications equipment project.

Capital Acquisition Financing - Capital acquisition financing using certificates of participation.

1992 JJC COP - Lease payments and trustee activity for the 1992 Refunding Juvenile Justice Center Certificates of Participation.

The 2002 JJC Refunding Bonds issue amount was \$80,285,000; as of June 1, 2005 the outstanding principal balance will be \$72,880,000. The 2002 Bonds will be paid off in 2019. The 2001 Telecommunications equipment lease revenue bonds were sold to acquire and install the County's telecommunications infrastructure. The 2001 Telecommunications lease revenue bonds issue amount was \$10,330,000. As of June 1, 2005, the outstanding principal balance will be \$6,245,000.

At a Glance:

Total FY 2004-2005 Projected Expend + Encumb:	6,978,304
Total Recommended FY 2005-2006	7,240,396
Percent of County General Fund:	0.27%
Total Employees:	0.00

INTEGRATED COURT MGT SYS PHAS3 - Trustee activity on the 1997 Integrated Court Management System Phase III Certificates of Participation.

2001 TELECOMMUNICATIONS LEASE - None.

Budget Summary

Proposed Budget History:

Sources and Uses	FY 2003-2004	FY 2004-2005	FY 2004-2005	FY 2005-2006	Change from FY 2004-2005	
	Actual	Budget As of 3/31/05	Projected ⁽¹⁾ At 6/30/05	Recommended	Projected Amount	Percent
Total Revenues	6,647,283	6,074,391	5,934,169	6,061,392	127,223	2.14
Total Requirements	8,486,033	8,855,546	6,978,304	7,240,396	262,092	3.75
Net County Cost	1,838,750	2,781,155	1,044,135	1,179,004	134,869	12.91

(1) Requirements include prior year encumbrance and expenditures. Therefore, the above totals may not match FY 2004-05 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Capital Acquisition Financing in the Appendix on page 481

14V - DEBT PREPAYMENT

Operational Summary

Description:

To reduce the General Fund debt burden. As of December 31, 2004, there is \$895.4 million outstanding in General Fund debt, of this amount \$806.7 million is from the bankruptcy recovery and \$88.7 million for non-bankruptcy debt.

This fund was created by Board of Supervisors action on October 20, 1999 which transferred \$27.1 million from the Debt Repayment reserve to this new fund. Subsequently, the annual strategic financial plans, corresponding budgets and bankruptcy litigation settlements have added money to this fund.

Strategic Goals:

- To eliminate or reduce the debt service burden on the General Fund. Recent low interest rates have made early redemption of additional debt economically feasible.

Budget Summary

Plan for Support of the County's Strategic Priorities:

The 2004 Strategic Financial Plan adopted by the Board on June 29, 2004 does not provide for adding additional monies to this fund. However, the Board of Supervisors did allocate \$3.7 million from the Yorba Linda Redevelopment settlement to this fund and additionally allocated \$18.3 million of

On April 19, 2005, the Board of Supervisors approved a financing concept for the restructuring and refinancing of the outstanding 1995 Refunding Recovery Bonds and the 1996 Recovery COPS. Work is in process with the aim that the bankruptcy debt restructuring and refinancing be completed in the last half of the 2005 calendar year.

At a Glance:

Total FY 2004-2005 Projected Expend + Encumb:	0
Total Recommended FY 2005-2006	116,180,836
Percent of County General Fund:	N/A
Total Employees:	0.00

one time fund balance available bringing the total to \$116 million. The \$116 million in the fund will be used for the bankruptcy debt restructuring and refinancing described above. The financing concept is based on the analysis completed by Sperry Capital Inc. in April 2005.

Proposed Budget History:

Sources and Uses	FY 2003-2004	FY 2004-2005	FY 2004-2005	FY 2005-2006	Change from FY 2004-2005	
	Actual	Budget As of 3/31/05	Projected ⁽¹⁾ At 6/30/05	Recommended	Projected Amount	Percent
Total Revenues	97,795,566	116,180,836	116,180,836	116,180,836	0	0.00
Total Requirements	0	116,180,836	0	116,180,836	116,180,836	0.00
Balance	97,795,566	0	116,180,836	0	(116,180,836)	-100.00

(1) Requirements include prior year encumbrance and expenditures. Therefore, the above totals may not match FY 2004-05 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Debt Prepayment in the Appendix on page page 610

15J - PENSION OBLIGATION BONDS DEBT SERVICE

Operational Summary

Description:

This fund is used to record the debt service payments on the County's Pension Obligation Bonds: Series 1994A, Refunding Series 1996A and Refunding Series 1997A. These bonds are a General Fund obligation.

On October 20, 1999 the Board of Supervisors directed the CEO to proceed with actions necessary to eliminate this debt obligation. On March 31, 2000 and June 11, 2000, the County purchased through a tender offer 45% of the outstanding bonds, about \$288.3 million, and then cancelled them. The cost of the purchase was about \$179.0 million.

The remaining Pension Obligation Bonds with a par value of \$350,823,000, were successfully prepaid through an economic defeasance on June 22, 2000. Available funds, including the FY 1999-00 Tobacco Settlement Revenue allocation to the County, were irrevocably pledged for payment, in full, of the bonds and invested in AAA rated debt securities issued by the Federal Home Loan Bank, Federal National Mortgage Association (FNMA). The FNMA securities, along with cash on hand, will be sufficient to pay principal and interest on the bonds when due and payable.

The FY 2005-2006 budget for this fund contains appropriations to record the debt service payments made by the bond trustee from the defeasance escrow fund. There is no "out-of-pocket" payment required from the County.

At a Glance:

Total FY 2004-2005 Projected Expend + Encumb:	15,430,633
Total Recommended FY 2005-2006	25,478,560
Percent of County General Fund:	N/A
Total Employees:	0.00

Strategic Goals:

- To record debt service payments made by the trustee on the defeased Pension Obligation Bonds.

Budget Summary

Proposed Budget History:

Sources and Uses	FY 2003-2004	FY 2004-2005	FY 2004-2005	FY 2005-2006	Change from FY 2004-2005	
	Actual	Budget As of 3/31/05	Projected ⁽¹⁾ At 6/30/05	Recommended	Projected Amount	Percent
Total Revenues	173,025,126	19,200,051	18,366,008	25,478,560	7,112,552	38.72
Total Requirements	165,065,075	19,200,051	16,956,374	25,478,560	8,522,186	50.25
Balance	7,960,051	0	1,409,634	0	(1,409,634)	-100.00

(1) Requirements include prior year encumbrance and expenditures. Therefore, the above totals may not match FY 2004-05 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Pension Obligation Bonds Debt Service in the Appendix on page page 622

15P - REFUNDING RECOVERY BONDS

Operational Summary

Description:

To make timely debt service payment on the outstanding 1995 Refunding Recovery Bonds.

This fund was created by Board action on June 13, 1995 to distribute the proceeds from the 1995 Refunding Recovery Bonds to the pre-bankruptcy investment pool participants and to make debt service payments. The debt service payments for the bonds are made through an "intercept" by the State Controller of a portion of the County's share of Motor Vehicle License Fee revenue which is then paid directly to the bond trustee.

The original principal amount of the bonds was \$278,790,000 however on June 29, 1998, \$31,335,000 in outstanding principal was defeased through the use of money in a reserve approved by the Board for debt pre-payment. There is currently an outstanding principal balance of \$225,870,000. See also Debt Prepayment Fund 14V.

At a Glance:

Total FY 2004-2005 Projected Expend + Encumb:	29,608,656
Total Recommended FY 2005-2006	60,977,134
Percent of County General Fund:	N/A
Total Employees:	0.00

Strategic Goals:

- Make timely debt service payments on the outstanding 1995 Refunding Recovery Bonds.

FY 2004-05 Key Project Accomplishments:

- Made timely debt service payment.

Budget Summary

Plan for Support of the County's Strategic Priorities:

Continue to make timely debt service payments.

Proposed Budget History:

Sources and Uses	FY 2003-2004	FY 2004-2005	FY 2004-2005	FY 2005-2006	Change from FY 2004-2005	
	Actual	Budget As of 3/31/05	Projected ⁽¹⁾ At 6/30/05	Recommended	Projected Amount	Percent
Total Revenues	59,819,546	60,291,130	60,396,498	60,977,134	580,636	0.96
Total Requirements	56,793,220	60,291,130	29,608,655	60,977,134	31,368,479	105.94
Balance	3,026,325	0	30,787,843	0	(30,787,843)	-100.00

(1) Requirements include prior year encumbrance and expenditures. Therefore, the above totals may not match FY 2004-05 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Refunding Recovery Bonds in the Appendix on page page 626

15Q - PENSION OBLIGATION BOND AMORTIZATION

Operational Summary

Description:

To record the use of the County's investment account held by the Orange County Retirement System (OCERS) for normal and unfunded accrued actuarial liability (UAAL) costs.

In 1994 taxable Pension Obligation Bonds were sold to finance the County's UAAL obligation. The County deposited \$318.3 million in an investment account held by OCERS. The investment account is a part of the OCERS investment pool and as such earns the same rate of return.

The investment account was initially used to make annual payments to satisfy the County's UAAL obligation according to a 15-year amortization schedule in lieu of County cash contributions; however, in 1996 the County and OCERS concluded an agreement by which the UAAL is amortized according to a 28-year schedule and the investment account is used to pay an annually declining portion of the County's normal cost obligation.

At a Glance:

Total FY 2004-2005 Projected Expend + Encumb:	7,800,000
Total Recommended FY 2005-2006	22,200,000
Percent of County General Fund:	N/A
Total Employees:	0.00

Strategic Goals:

- Use of the County's investment account in the Orange County Employees Retirement System to mitigate cash contributions for normal and unfunded accrued actuarial pension costs.

Budget Summary

Proposed Budget History:

Sources and Uses	FY 2003-2004	FY 2004-2005	FY 2004-2005	FY 2005-2006	Change from FY 2004-2005	
	Actual	Budget As of 3/31/05	Projected ⁽¹⁾ At 6/30/05	Recommended	Projected Amount	Percent
Total Revenues	33,308,572	18,885,057	19,000,000	22,200,000	3,200,000	16.84
Total Requirements	33,308,572	7,700,000	7,800,000	22,200,000	14,400,000	184.61
Balance	0	11,185,057	11,200,000	0	(11,200,000)	-100.00

(1) Requirements include prior year encumbrance and expenditures. Therefore, the above totals may not match FY 2004-05 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Pension Obligation Bond Amortization in the Appendix on page page 627

15W - 1996 RECOVERY CERTIFICATES OF PARTICIPATION (A)

Operational Summary

Description:

This fund recorded the receipt of proceeds from the 1996 Recovery Certificates of Participation Series A, payments to creditors and transfers to other funds in accordance with the County's Second Amended Modified Plan of Adjustment, approved by the United States Bankruptcy Court in June 1996. Surplus funds not needed for outstanding obligations are transferred to the General Fund.

At a Glance:

Total FY 2004-2005 Projected Expend + Encumb:	2,000
Total Recommended FY 2005-2006	3,193,528
Percent of County General Fund:	N/A
Total Employees:	0.00

Budget Summary

Plan for Support of the County's Strategic Priorities:

Maintain sufficient funds for unresolved bankruptcy claims.

Proposed Budget History:

Sources and Uses	FY 2003-2004	FY 2004-2005	FY 2004-2005	FY 2005-2006	Change from FY 2004-2005	
	Actual	Budget As of 3/31/05	Projected ⁽¹⁾ At 6/30/05	Recommended	Projected Amount	Percent
Total Revenues	3,130,308	3,167,428	3,155,528	3,193,528	38,000	1.20
Total Requirements	2,881	3,167,428	2,000	3,193,528	3,191,528	159,576.40
Balance	3,127,428	0	3,153,528	0	(3,153,528)	-100.00

(1) Requirements include prior year encumbrance and expenditures. Therefore, the above totals may not match FY 2004-05 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: 1996 Recovery Certificates of Participation (A) in the Appendix on page page 630

599 - O. C. SPECIAL FINANCING AUTHORITY DEBT SERVICE

Operational Summary

Description:

To make timely debt service payments on the 1995 Orange County Special Financing Authority Teeter Plan Revenue Bonds and to transfer surplus revenues to County General Fund 100 Agency 016 as provided for in the Second Amended Modified Plan of Adjustment. The surplus transfer to Agency 016 ended in FY 2000-2001, future surplus transfers will be made to Fund 100, Agency 100.

In 1995 the Orange County Special Financing Authority issued \$155,000,000 of revenue backed bonds: Series A (taxable) \$32,375,000; Series B, \$20,625,000; Series C, \$34,000,000; Series D, \$34,000,000; and Series E, \$34,000,000. The proceeds of the bonds were used to pay the holders of the County's 1994-95 Teeter Notes and to fund an on-going Teeter Program.

The use of long term bonds to fund the Teeter Program is unique to Orange County and is authorized by special State statute. The Teeter program is an alternate secured property tax distribution plan. Normally the secured property taxes actually collected by a County are distributed to taxing agen-

cies (e.g. school districts), resulting in less than 100% of the tax levy being distributed because of delinquencies. Under the Teeter Plan, the County distributes 100% of the levy to the taxing agencies and in exchange receives the right to keep the delinquent taxes, penalties and interest.

The Orange County Special Financing Authority was set up in 1995 to administer the Teeter Plan in Orange County. The penalties and interest collected on tax defaulted properties provide the revenue to pay the debt service on the Teeter Bonds and, if available, surplus revenue is released to the County General Fund. The Board of Directors of the Authority are the members of the Orange County Board of Supervisors.

As of November 30, 2004, \$123,725,000 in principal was outstanding from all five series. The Teeter Bonds will be paid off in 2014.

At a Glance:

Total FY 2004-2005 Projected Expend + Encumb:	35,388,612
Total Recommended FY 2005-2006	82,390,125
Percent of County General Fund:	N/A
Total Employees:	0.00

Strategic Goals:

- Make timely debt service payments and provide surplus revenue for the bankruptcy recovery as contemplated in the County's Second Amended Modified Plan of Adjustment.

Budget Summary

Plan for Support of the County's Strategic Priorities:

Make annual transfers of surplus cash to the General Fund.

Proposed Budget History:

Sources and Uses	FY 2003-2004	FY 2004-2005	FY 2004-2005	FY 2005-2006	Change from FY 2004-2005	
	Actual	Budget As of 3/31/05	Projected ⁽¹⁾ At 6/30/05		Projected Amount	Percent
Total Revenues	168,975,085	73,265,260	72,225,397	82,390,125	10,164,728	14.07
Total Requirements	162,383,405	73,265,260	35,388,612	82,390,125	47,001,513	132.81
Balance	6,591,681	0	36,836,785	0	(36,836,785)	-100.00

(1) Requirements include prior year encumbrance and expenditures. Therefore, the above totals may not match FY 2004-05 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: O. C. Special Financing Authority Debt Service in the Appendix on page page 749

9C0 - PUBLIC FINANCING PROGRAM (PGM VI)

9C1 Major Activities

The purpose of these funds is to provide for debt service of bonds issued on behalf of the Assessment Districts.

9C1 Funds

Agency Number	Assessment Districts	FY 2005-2006 Appropriations		FY 2005-2006 Revenue	
433	Golden Lantern Reassessment District 94-1 Debt Service	\$	3,287,000	\$	3,287,000
507	Irvine Coast Assessment District 88-1 - Debt Service		13,673,043		13,673,043
516	Assessment Dist 01-1 Ziani Project-Debt Service		1,170,031		1,170,031
525	Assessment District 01-1 Newport Coast IV - Debt Service		7,608,908		7,608,908
52T	Newport Coast AD 01-1 Conversion #1 DS		2,975,000		2,975,000
551	Assessment District 92-1 Newport Ridge - Debt Service		1,016,629		1,016,629

9C2 Major Activities

The purpose of these funds is to provide for debt service of bonds issued on behalf of the Orange County Development Agency.

9C2 Funds

Agency Number	OC Development Agency	FY 2005-2006 Appropriations		FY 2005-2006 Revenue	
172	OCDA Debt Service (Santa Ana Heights)	\$	15,102,432	\$	15,102,432
427	OCDA (NDAPP) - Debt Service		16,258,730		16,258,730

9C3 Major Activities

The purpose of these funds is to provide for debt service of bonds issued on behalf of the Community Facilities Districts.

9C3 Funds

Agency Number	Community Facility Districts	FY 2005-2006 Appropriations		FY 2005-2006 Revenue	
479	CFD 99-1 Series A of 1999 Ladera - Debt Service	\$	4,137,335	\$	4,137,335
482	Special Mello-Roos Reserve		3,065,346		3,065,346
484	Rancho Santa Margarita CFD 86-2 - Debt Service		3,582,842		3,582,842
487	Ladera CFD 2002-01 Debt Service		10,594,050		10,594,050
488	Rancho Santa Margarita CFD 86-1 (Series 1988) - Debt Service		6,158,983		6,158,983
490	Dimensions/Serrano Creek CFD 87-1 - Debt Service		2,477,818		2,477,818
492	Mission Viejo CFD 87-3 (A) - Debt Service		14,428,102		14,428,102
494	Aliso Viejo CFD 88-1 - Debt Service		33,103,079		33,103,079
496	Lomas Laguna CFD 88-2 - Debt Service		544,846		544,846
501	Rancho Santa Margarita CFD 87-5(A) - Debt Service		2,485,538		2,485,538
503	Portola Hills CFD 87-2(A) - Debt Service		4,849,065		4,849,065
505	Foothill Ranch CFD 87-4 - Debt Service		17,049,619		17,049,619

9C3 Funds

Agency Number	Community Facility Districts	FY 2005-2006 Appropriations	FY 2005-2006 Revenue
509	Rancho Santa Margarita CFD 87-5B - Debt Service	6,356,350	6,356,350
511	Baker Ranch CFD 87-6 - Debt Service	1,914,334	1,914,334
513	Coto de Caza CFD 87-8 - Debt Service	4,523,571	4,523,571
515	Santa Teresita CFD 87-9 - Debt Service	1,466,972	1,466,972
517	Rancho Santa Margarita CFD 87-5C - Debt Service	2,740,092	2,740,092
519	Los Alisos CFD 87-7 - Debt Service	3,632,110	3,632,110
521	Rancho Santa Margarita CFD 87-5D (A) - Debt Service	2,512,220	2,512,220
530	CFD 2004-1 Ladera Debt Service	10,851,328	10,851,328
533	CFD 01-1 Ladera - Debt Service	5,310,544	5,310,544
547	CFD 00-1 (Series A of 2000) Ladera - Debt Service	5,109,421	5,109,421
549	Rancho Santa Margarita CFD 87-5E (A of 1993) - Debt Service	2,749,784	2,749,784
555	CFD 2003-1 Ladera Debt Service	8,729,039	8,729,039

